

109TH CONGRESS
1ST SESSION

S. 1030

To amend the Higher Education Act of 1965 to simplify and improve the process of applying for student assistance, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 12, 2005

Mr. REED (for himself, Ms. COLLINS, Mr. KENNEDY, and Mrs. MURRAY) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend the Higher Education Act of 1965 to simplify and improve the process of applying for student assistance, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Financial Aid Form
5 Simplification and Access Act”.

1 **SEC. 2. SIMPLIFIED NEEDS TEST AND AUTOMATIC ZERO IM-**
 2 **PROVEMENTS.**

3 (a) SIMPLIFIED NEEDS TEST.—Section 479 of the
 4 Higher Education Act of 1965 (20 U.S.C. 1087ss) is
 5 amended—

6 (1) in subsection (b)—

7 (A) in paragraph (1)—

8 (i) by striking subparagraph (A)(i)
 9 and inserting the following:

10 “(i) the student’s parents—

11 “(I) file, or are eligible to file, a
 12 form described in paragraph (3);

13 “(II) certify that they are not re-
 14 quired to file an income tax return;

15 “(III) 1 of whom is a dislocated
 16 worker; or

17 “(IV) or the student received
 18 benefits at some time during the pre-
 19 vious 24-month period under a means-
 20 tested Federal benefit program as de-
 21 fined under subsection (d); and”;

22 (ii) by striking subparagraph (B)(i)
 23 and inserting the following:

24 “(i) the student (and the student’s
 25 spouse, if any)—

1 “(I) files, or is eligible to file, a
2 form described in paragraph (3);

3 “(II) certifies that the student
4 (and the student’s spouse, if any) is
5 not required to file an income tax re-
6 turn;

7 “(III) is a dislocated worker; or

8 “(IV) received benefits at some
9 time during the previous 24-month
10 period under a means-tested Federal
11 benefit program as defined under sub-
12 section (d); and”; and

13 (B) in paragraph (3), by striking “A stu-
14 dent or family files a form described in this
15 subsection, or subsection (c), as the case may
16 be, if the student or family, respectively, files”
17 and inserting “In the case of an independent
18 student, the student, or in the case of a depend-
19 ent student, the family, files a form described
20 in this subsection, or subsection (c), as the case
21 may be, if the student or family, as appropriate,
22 files”;

23 (2) in subsection (c)—

24 (A) in paragraph (1)—

1 (i) by striking subparagraph (A) and
 2 inserting the following:

3 “(A) the student’s parents—

4 “(i) file, or are eligible to file, a form
 5 described in subsection (b)(3);

6 “(ii) certify that they are not required
 7 to file an income tax return;

8 “(iii) 1 of whom is a dislocated work-
 9 er; or

10 “(iv) or the student received benefits
 11 at some time during the previous 24-month
 12 period under a means-tested Federal ben-
 13 efit program as defined under subsection
 14 (d); and”; and

15 (ii) by striking subparagraph (B) and
 16 inserting the following:

17 “(B) the sum of the adjusted gross income
 18 of the parents is less than or equal to \$25,000;
 19 or”;

20 (B) in paragraph (2)—

21 (i) by striking subparagraph (A) and
 22 inserting the following:

23 “(A) the student (and the student’s
 24 spouse, if any)—

1 “(i) files, or is eligible to file, a form
2 described in subsection (b)(3);

3 “(ii) certifies that the student (and
4 the student’s spouse, if any) is not re-
5 quired to file an income tax return;

6 “(iii) is a dislocated worker; or

7 “(iv) received benefits at some time
8 during the previous 24-month period under
9 a means-tested Federal benefit program as
10 defined under subsection (d); and”;

11 (ii) by striking subparagraph (B) and
12 inserting the following:

13 “(B) the sum of the adjusted gross income
14 of the student and spouse (if appropriate) is
15 less than or equal to \$25,000.”; and

16 (C) by striking the flush matter at the end
17 and inserting the following:

18 “The Secretary shall annually adjust the income level nec-
19 essary to qualify an applicant for the zero expected family
20 contribution. The income level shall be adjusted according
21 to increases in the Consumer Price Index, as defined in
22 section 478(f).”; and

23 (3) by adding at the end the following:

24 “(d) DEFINITIONS.—In this section:

1 “(1) DISLOCATED WORKER.—The term ‘dis-
 2 located worker’ has the same meaning given the
 3 term in section 101 of the Workforce Investment
 4 Act of 1998 (29 U.S.C. 2801).

5 “(2) MEANS-TESTED FEDERAL BENEFIT PRO-
 6 GRAM.—The term ‘means-tested Federal benefit pro-
 7 gram’ means a mandatory spending program of the
 8 Federal Government in which eligibility for the pro-
 9 gram’s benefits, or the amount of such benefits, or
 10 both, are determined on the basis of income or re-
 11 sources of the individual or family seeking the ben-
 12 efit, and includes the supplemental security income
 13 program under title XVI of the Social Security Act
 14 (42 U.S.C. 1381 et seq.), the food stamp program
 15 under the Food Stamp Act of 1977 (7 U.S.C. 2011
 16 et seq.), and the free and reduced price school lunch
 17 program established under the Richard B. Russell
 18 National School Lunch Act (42 U.S.C. 1751 et
 19 seq.).”.

20 (b) DISCRETION OF STUDENT FINANCIAL AID AD-
 21 MINISTRATORS.—Section 479A(a) of the Higher Edu-
 22 cation Act of 1965 (20 U.S.C. 1087tt(a)) is amended in
 23 the third sentence by inserting “a family member who is
 24 a dislocated worker (as defined in section 101 of the

1 Workforce Investment Act of 1998 (29 U.S.C. 2801)),”
 2 after “recent unemployment of a family member,”.

3 (c) REPORTING REQUIREMENTS.—

4 (1) ELIGIBILITY GUIDELINES.—The Secretary
 5 of Education shall regularly evaluate the impact of
 6 the eligibility guidelines in subsections (b)(1)(A)(i),
 7 (b)(1)(B)(i), (c)(1)(A), and (c)(2)(A) of section 479
 8 of the Higher Education Act of 1965 (20 U.S.C.
 9 1087ss(b)(1)(A)(i), (b)(1)(B)(i), (c)(1)(A), and
 10 (c)(2)(A)).

11 (2) MEANS-TESTED FEDERAL BENEFIT PRO-
 12 GRAM.—The Secretary shall evaluate every 3 years
 13 the impact of including whether a student or parent
 14 received benefits under a means-tested Federal ben-
 15 efit program (as defined in section 479(d) of the
 16 Higher Education Act of 1965 (20 U.S.C.
 17 1087ss(d)) as a factor in determining eligibility
 18 under subsections (b) and (c) of section 479 of the
 19 Higher Education Act of 1965 (20 U.S.C. 1087ss(b)
 20 and (c)).

21 **SEC. 3 IMPROVING PAPER AND ELECTRONIC FORMS.**

22 (a) SIMPLIFIED NEEDS TEST.—Section 479(a) of the
 23 Higher Education Act of 1965 (20 U.S.C. 1087ss(a)) is
 24 amended by adding at the end the following:

1 “(3) SIMPLIFIED FORMS.—The Secretary shall
 2 make special efforts to notify families meeting the
 3 requirements of subsection (c) that such families
 4 may use the EZ FAFSA described in section
 5 483(a)(2)(B) and notify families meeting the re-
 6 quirements of subsection (b) that such families may
 7 use the simplified electronic application form de-
 8 scribed in section 483(a)(3)(B).”.

9 (b) COMMON FINANCIAL AID FORM DEVELOPMENT
 10 AND PROCESSING.—Section 483 of the Higher Education
 11 Act of 1965 (20 U.S.C. 1090) is amended—

12 (1) in subsection (a)—

13 (A) by striking paragraphs (1), (2), and
 14 (5);

15 (B) by redesignating paragraphs (3), (4),
 16 (6), and (7), as paragraphs (8), (9), (10), and
 17 (11), respectively;

18 (C) by inserting before paragraph (8), as
 19 redesignated by subparagraph (B), the fol-
 20 lowing:

21 “(1) IN GENERAL.—

22 “(A) COMMON FINANCIAL REPORTING
 23 FORMS.—The Secretary, in cooperation with
 24 representatives of agencies and organizations
 25 involved in student financial assistance, shall

1 produce, distribute, and process free of charge
 2 common financial reporting forms as described
 3 in this subsection to be used for application and
 4 reapplication to determine the need and eligi-
 5 bility of a student for financial assistance under
 6 parts A through E (other than subpart 4 of
 7 part A). These forms shall be made available to
 8 applicants in both paper and electronic formats
 9 and shall be referred to (except as otherwise
 10 provided in this subsection) as the ‘Free Appli-
 11 cation for Federal Student Aid’ or ‘FAFSA’.

12 “(B) EARLY ANALYSIS.—The Secretary
 13 shall permit an applicant to complete a form
 14 described in this subsection prior to enrollment
 15 in order to obtain an estimate from the Sec-
 16 retary of the applicant’s expected family con-
 17 tribution, as defined in section 473. Such appli-
 18 cant shall be permitted to update information
 19 submitted on a form described in this sub-
 20 section completed prior to enrollment using the
 21 process described in paragraph (4).

22 “(2) PAPER FORMAT.—

23 “(A) IN GENERAL.—Subject to subpara-
 24 graph (C), the Secretary shall produce, dis-
 25 tribute, and process common forms in paper

1 format to meet the requirements of paragraph
2 (1). The Secretary shall develop a common
3 paper form for applicants who do not meet the
4 requirements of subparagraph (B).

5 “(B) EZ FAFSA.—

6 “(i) IN GENERAL.—The Secretary
7 shall develop and use a simplified paper
8 application form, to be known as the ‘EZ
9 FAFSA’, to be used for applicants meeting
10 the requirements of section 479(c).

11 “(ii) REDUCED DATA REQUIRE-
12 MENTS.—The EZ FAFSA shall permit an
13 applicant to submit for financial assistance
14 purposes, only the data elements required
15 to make a determination of whether the
16 applicant meets the requirements under
17 section 479(c).

18 “(iii) STATE DATA.—The Secretary
19 shall include on the EZ FAFSA space for
20 information that is required of an appli-
21 cant to be eligible for State financial as-
22 sistance, as provided under paragraph (5),
23 except the Secretary shall not include a
24 State’s data if that State does not permit

1 its applicants for State assistance to use
2 the EZ FAFSA.

3 “(iv) FREE AVAILABILITY AND PROC-
4 ESSING.—The provisions of paragraph (6)
5 shall apply to the EZ FAFSA, and the
6 data collected by means of the EZ FAFSA
7 shall be available to institutions of higher
8 education, guaranty agencies, and States
9 in accordance with paragraph (8).

10 “(v) TESTING.—The Secretary shall
11 conduct appropriate field testing on the
12 EZ FAFSA.

13 “(C) PHASING OUT THE PAPER FORM FOR
14 STUDENTS WHO DO NOT MEET THE REQUIRE-
15 MENTS OF THE AUTOMATIC ZERO EXPECTED
16 FAMILY CONTRIBUTION.—

17 “(i) IN GENERAL.—The Secretary
18 shall make all efforts to encourage all ap-
19 plicants to utilize the electronic forms de-
20 scribed in paragraph (3).

21 “(ii) PHASEOUT OF FULL PAPER
22 FAFSA.—Not later than 5 years after the
23 date of enactment of the Financial Aid
24 Form Simplification and Access Act, to the
25 extent practicable, the Secretary shall

1 phaseout the printing of the full paper
 2 Free Application for Federal Student Aid
 3 described in subparagraph (A) and used by
 4 applicants who do not meet the require-
 5 ments of the EZ FAFSA described in sub-
 6 paragraph (B).

7 “(iii) AVAILABILITY OF FULL PAPER
 8 FAFSA.—

9 “(I) IN GENERAL.—Prior to and
 10 after the phaseout described in clause
 11 (ii), the Secretary shall maintain an
 12 online printable version of the paper
 13 forms described in subparagraphs (A)
 14 and (B).

15 “(II) ACCESSIBILITY.—The on-
 16 line printable version described in sub-
 17 clause (I) shall be made easily acces-
 18 sible and downloadable to students on
 19 the same website used to provide stu-
 20 dents with the electronic application
 21 forms described in paragraph (3).

22 “(III) SUBMISSION OF FORMS.—
 23 The Secretary shall enable, to the ex-
 24 tent practicable, students to submit a
 25 form described in this clause that is

1 downloaded and printed in order to
2 meet the filing requirements of this
3 section and to receive aid from pro-
4 grams established under this title.

5 “(iv) USE OF SAVINGS TO ADDRESS
6 THE DIGITAL DIVIDE.—

7 “(I) IN GENERAL.—The Sec-
8 retary shall utilize savings accrued by
9 phasing out the full paper Free Appli-
10 cation for Federal Student Aid and
11 moving more applicants to the elec-
12 tronic forms, to improve access to the
13 electronic forms for applicants meet-
14 ing the requirements of section
15 479(c).

16 “(II) REPORT.—The Secretary
17 shall report annually to the Com-
18 mittee on Health, Education, Labor,
19 and Pensions of the Senate and the
20 Committee on Education and the
21 Workforce of the House of Represent-
22 atives on steps taken to eliminate the
23 digital divide and on the phaseout of
24 the full paper Free Application for
25 Federal Student Aid described in sub-

paragraph (A). The report shall specifically address the impact of the digital divide on independent students, adults, and dependent students, including students completing applications described in this paragraph and paragraphs (3) and (4).

“(3) ELECTRONIC FORMAT.—

“(A) IN GENERAL.—

“(i) ESTABLISHMENT.—The Secretary shall produce, distribute, and process common financial reporting forms in electronic format (such as through a website called ‘FAFSA on the Web’) to meet the requirements of paragraph (1). The Secretary shall include an electronic version of the EZ FAFSA form for applicants who meet the requirements of paragraph (2)(B) and develop common electronic forms for applicants who meet the requirements of subparagraph (B) and common electronic forms for applicants who do not meet the requirements of subparagraph (B).

“(ii) STATE DATA.—The Secretary shall include on the common electronic

1 forms described in clause (i) space for in-
2 formation that is required of an applicant
3 to be eligible for State financial assistance,
4 as provided under paragraph (5). The Sec-
5 retary may not require an applicant to
6 complete data required by any State other
7 than the applicant's State of residence.

8 (iii) STREAMLINED FORMAT.—The
9 Secretary shall use, to the fullest extent
10 practicable, all available technology to en-
11 sure that a student answers only the min-
12 imum number of questions necessary.

13 “(B) SIMPLIFIED APPLICATION.—

14 “(i) IN GENERAL.—The Secretary
15 shall develop and use a simplified elec-
16 tronic application form to be used by appli-
17 cants meeting the requirements under sec-
18 tion 479(b).

19 “(ii) REDUCED DATA REQUIRE-
20 MENTS.—The simplified electronic applica-
21 tion form shall permit an applicant to sub-
22 mit for financial assistance purposes, only
23 the data elements required to make a de-
24 termination of whether the applicant meets
25 the requirements under section 479(b).

1 “(iii) STATE DATA.—The Secretary
2 shall include on the simplified electronic
3 application form space for information that
4 is required of an applicant to be eligible for
5 State financial assistance, as provided
6 under paragraph (5), except the Secretary
7 shall not include a State’s data if that
8 State does not permit its applicants for
9 State assistance to use the simplified elec-
10 tronic application form.

11 “(iv) FREE AVAILABILITY AND PROC-
12 ESSING.—The provisions of paragraph (6)
13 shall apply to the simplified electronic ap-
14 plication form, and the data collected by
15 means of the simplified electronic applica-
16 tion form shall be available to institutions
17 of higher education, guaranty agencies,
18 and States in accordance with paragraph
19 (8).

20 “(v) TESTING.—The Secretary shall
21 conduct appropriate field testing on the
22 form developed under this subparagraph.

23 “(C) RULE OF CONSTRUCTION.—Nothing
24 in this subsection shall be construed to prohibit
25 the use of the form developed by the Secretary

1 pursuant to this paragraph by an eligible insti-
2 tution, eligible lender, guaranty agency, State
3 grant agency, private computer software pro-
4 viders, a consortium of such entities, or such
5 other entities as the Secretary may designate.

6 “(D) PRIVACY.—The Secretary shall en-
7 sure that data collection under this paragraph
8 complies with section 552a of title 5, United
9 States Code, and that any entity using the elec-
10 tronic version of the forms developed by the
11 Secretary pursuant to this paragraph shall
12 maintain reasonable and appropriate adminis-
13 trative, technical, and physical safeguards to
14 ensure the integrity and confidentiality of the
15 information, and to protect against security
16 threats, or unauthorized uses or disclosures of
17 the information provided on the electronic
18 version of the form. Data collected by such elec-
19 tronic version of the form shall be used only for
20 the application, award, and administration of
21 aid awarded under this title, State aid, or aid
22 awarded by eligible institutions or such entities
23 as the Secretary may designate. No data col-
24 lected by such electronic version of the form
25 shall be used for making final aid awards under

1 this title until such data have been processed by
2 the Secretary or a contractor or designee of the
3 Secretary, except as may be permitted under
4 this title.

5 “(E) SIGNATURE.—Notwithstanding any
6 other provision of this Act, the Secretary may
7 permit an electronic form to be submitted with-
8 out a signature, if a signature is subsequently
9 submitted by the applicant.

10 “(F) PERSONAL IDENTIFICATION NUM-
11 BERS AUTHORIZED.—The Secretary is author-
12 ized to assign to applicants personal identifica-
13 tion numbers—

14 “(i) to enable the applicants to use
15 such numbers in lieu of a signature for
16 purposes of completing a form under this
17 paragraph; and

18 “(ii) for any purpose determined by
19 the Secretary to enable the Secretary to
20 carry out this title.

21 “(4) REAPPLICATION.—

22 “(A) IN GENERAL.—The Secretary shall
23 develop streamlined reapplication forms and
24 processes, including both paper and electronic
25 reapplication processes, consistent with the re-

1 quirements of this subsection, for an applicant
 2 who applies for financial assistance under this
 3 title in the next succeeding academic year sub-
 4 sequent to the year in which such applicant
 5 first applied for financial assistance under this
 6 title.

7 “(B) UPDATED.—The Secretary shall de-
 8 termine, in cooperation with States, institutions
 9 of higher education, and agencies and organiza-
 10 tions involved in student financial assistance,
 11 the data elements that can be updated from the
 12 previous academic year’s application.

13 “(C) RULE OF CONSTRUCTION.—Nothing
 14 in this title shall be construed as limiting the
 15 authority of the Secretary to reduce the number
 16 of data elements required of reapplicants.

17 “(D) ZERO FAMILY CONTRIBUTION.—Ap-
 18 plicants determined to have a zero family con-
 19 tribution pursuant to section 479(c) shall not
 20 be required to provide any financial data in a
 21 reapplication form, except that which is nec-
 22 essary to determine eligibility under such sec-
 23 tion.

24 “(5) STATE REQUIREMENTS.—

1 “(A) IN GENERAL.—The Secretary shall
2 include on the forms developed under this sub-
3 section, such State-specific data items as the
4 Secretary determines are necessary to meet
5 State requirements for need-based State aid.
6 Such items shall be selected in consultation
7 with States to assist in the awarding of State
8 financial assistance in accordance with the
9 terms of this subsection. The number of such
10 data items shall not be less than the number in-
11 cluded on the form on October 7, 1998, unless
12 States notify the Secretary that they no longer
13 require those data items for the distribution of
14 State need-based aid.

15 “(B) ANNUAL REVIEW.—The Secretary
16 shall conduct an annual review process to deter-
17 mine which forms and data items the States re-
18 quire to award need-based State aid and other
19 application requirements that the States may
20 impose.

21 “(C) FEDERAL REGISTER NOTICE.—The
22 Secretary shall publish on an annual basis a no-
23 tice in the Federal Register requiring each
24 State agency to inform the Secretary—

1 “(i) if the agency is unable to permit
2 applicants to utilize the forms described in
3 paragraphs (2)(B) and (3)(B); and

4 “(ii) of the State-specific data that
5 the agency requires for delivery of State
6 need-based financial aid.

7 “(D) STATE NOTIFICATION TO THE SEC-
8 RETARY.—

9 “(i) IN GENERAL.—Each State shall
10 notify the Secretary—

11 “(I) whether the State permits
12 an applicant to file a form described
13 in paragraph (2)(B) or (3)(B) for
14 purposes of determining eligibility for
15 State need-based grant aid; and

16 “(II) of the State-specific data
17 that the State requires for delivery of
18 State need-based financial aid.

19 “(ii) NO PERMISSION.—In the event
20 that a State does not permit an applicant
21 to file a form described in paragraph
22 (2)(B) or (3)(B) for purposes of deter-
23 mining eligibility for State need-based
24 grant aid—

1 “(I) the State shall notify the
 2 Secretary if it is not permitted to do
 3 so because of either State law or be-
 4 cause of agency policy; and

5 “(II) the notification under sub-
 6 clause (I) shall include an estimate of
 7 the program cost to permit applicants
 8 to complete the forms described in
 9 paragraphs (2)(B) and (3)(B).

10 “(iii) LACK OF NOTIFICATION BY THE
 11 STATE.—If a State does not notify the
 12 Secretary pursuant to clause (i), the Sec-
 13 retary shall—

14 “(I) permit residents of that
 15 State to complete the forms described
 16 in paragraphs (2)(B) and (3)(B); and

17 “(II) not require any resident of
 18 that State to complete any data pre-
 19 viously required by that State.

20 “(E) RESTRICTION.—The Secretary shall
 21 not require applicants to complete any non-
 22 financial data or financial data that are not re-
 23 quired by the applicant’s State agency, except
 24 as may be required for applicants who use the

1 paper forms described in subparagraphs (A)
2 and (B) of paragraph (2).

3 “(6) CHARGES TO STUDENTS AND PARENTS
4 FOR USE OF FORMS PROHIBITED.—The common fi-
5 nancial reporting forms prescribed by the Secretary
6 under this subsection shall be produced, distributed,
7 and processed by the Secretary and no parent or
8 student shall be charged a fee by the Secretary, a
9 contractor, a third party servicer or private software
10 provider, or any other public or private entity for the
11 collection, processing, or delivery of financial aid
12 through the use of such forms. The need and eligi-
13 bility of a student for financial assistance under
14 parts A through E (other than under subpart 4 of
15 part A) may only be determined by using a form de-
16 veloped by the Secretary pursuant to this subsection.
17 No student may receive assistance under parts A
18 through E (other than under subpart 4 of part A),
19 except by use of a form developed by the Secretary
20 pursuant to this subsection. No data collected on a
21 paper or electronic form or other document, which
22 the Secretary determines was created to replace a
23 form prescribed under this subsection and therefore
24 violates the integrity of a simplified and free finan-
25 cial aid application process, for which a fee is

1 charged shall be used to complete the form pre-
 2 scribed under this subsection. No person, commer-
 3 cial entity, or other entity shall request, obtain, or
 4 utilize an applicant's Personal Identification Number
 5 for purposes of submitting an application on an ap-
 6 plicant's behalf except State agencies that have en-
 7 tered into an agreement with the Secretary to
 8 streamline applications, eligible institutions, or pro-
 9 grams under this title as permitted by the Secretary.

10 “(7) APPLICATION PROCESSING CYCLE.—The
 11 Secretary shall, prior to January 1 of a student's
 12 planned year of enrollment to the extent prac-
 13 ticable—

14 “(A) enable the student to submit a form
 15 described under this subsection in order to meet
 16 the filing requirements of this section and re-
 17 ceive aid from programs under this title; and

18 “(B) initiate the processing of a form
 19 under this subsection submitted by the stu-
 20 dent.”; and

21 (D) by adding at the end the following:

22 “(12) EARLY APPLICATION AND AWARD DEM-
 23 ONSTRATION PROGRAM.—

24 “(A) IN GENERAL.—Not later than 2 years
 25 after the date of enactment of this paragraph,

1 the Secretary shall implement an early applica-
2 tion demonstration program enabling dependent
3 students to—

4 “(i) complete applications under this
5 subsection in such students’ junior year of
6 secondary school, or in the academic year
7 that is 2 years prior to such students’ in-
8 tended year of enrollment at an institution
9 of higher education; and

10 “(ii) be eligible to receive aid under
11 this title, aid from participants under this
12 paragraph, State financial assistance as
13 provided under section 415C, and other aid
14 provided by participating institutions
15 through the submission of an application
16 as described in clause (i).

17 “(B) PURPOSE.—The purpose of the dem-
18 onstration program under this paragraph is to
19 measure the benefits, in terms of student aspi-
20 rations and plans to attend college, and the ad-
21 verse effects, in terms of program costs, integ-
22 rity, distribution, and delivery of aid under this
23 title, of implementing an early application sys-
24 tem for all dependent students that allows de-
25 pendent students to apply for financial aid

1 using information from the year prior to the
2 year prior to enrollment at an institution of
3 higher education. Additional objectives associ-
4 ated with implementation of the demonstration
5 program are the following:

6 “(i) Measure the feasibility of ena-
7 bling dependent students to apply for Fed-
8 eral, State, and institutional financial aid
9 in such students’ junior year of secondary
10 school, using information from the year
11 prior to the year prior to enrollment, by
12 completing any of the application forms
13 under this subsection.

14 “(ii) Determine the feasibility, bene-
15 fits, and adverse effects of implementing a
16 data match with the Internal Revenue
17 Service.

18 “(iii) Identify whether receiving final
19 financial aid awards not later than the fall
20 of a student’s senior year positively im-
21 pacts the college aspirations and plans of
22 such student.

23 “(iv) Measure the impact of using in-
24 come information from the year prior to
25 the year prior to enrollment on—

1 “(I) eligibility for financial aid
2 under this title and for other institu-
3 tional aid; and

4 “(II) the cost of financial aid
5 programs under this title.

6 “(v) Effectively evaluate the benefits
7 and adverse effects of the demonstration
8 program on program costs, integrity, dis-
9 tribution, and delivery of aid.

10 “(C) PARTICIPANTS.—The Secretary shall
11 select, in consultation with States and institu-
12 tions of higher education, States and institu-
13 tions within the States interested in partici-
14 pating in the demonstration program under this
15 paragraph. The States and institutions of high-
16 er education shall participate in programs
17 under this title and be willing to make final fi-
18 nancial aid awards to students based on such
19 students’ application information from the year
20 prior to the year prior to enrollment. Such
21 awards may be contingent on the student being
22 admitted to and enrolling in the participating
23 institution the following year. The Secretary
24 shall also select as participants in the dem-
25 onstration program secondary schools that are

1 located in the participating States and depend-
2 ent students who reside in the participating
3 States.

4 “(D) APPLICATION PROCESS.—The Sec-
5 retary shall ensure that the following provisions
6 are included in the demonstration program:

7 “(i) Participating States and institu-
8 tions of higher education shall—

9 “(I) allow participating students
10 to apply for financial aid as provided
11 under this title during such students’
12 junior year of secondary school using
13 information from the year prior to the
14 year prior to enrollment; and

15 “(II) award final financial aid
16 awards to participating students
17 based on the applications provided
18 under the demonstration program.

19 “(ii) Participating States and institu-
20 tions of higher education shall not require
21 students participating in the demonstration
22 program to complete an additional applica-
23 tion in the year prior to enrollment in
24 order to receive State aid under section
25 415C and any other institutional aid.

1 “(iii) Financial aid administrators at
2 participating institutions of higher edu-
3 cation shall be allowed to use such admin-
4 istrators’ discretion in awarding financial
5 aid to participating students, as outlined
6 under sections 479A and 480(d).

7 “(E) DATA MATCH WITH THE INTERNAL
8 REVENUE SERVICE.—The Secretary shall in-
9 clude in the demonstration project a data match
10 with the Internal Revenue Service in order to
11 verify data provided by participating students
12 and gauge the feasibility of implementing such
13 a data match for all students applying for aid
14 under this title.

15 “(F) EVALUATION.—The Secretary shall
16 conduct a rigorous evaluation of the demonstra-
17 tion program in order to measure the program’s
18 benefits and adverse effects as required under
19 subparagraph (B).

20 “(G) OUTREACH.—The Secretary shall
21 make appropriate efforts in order to notify
22 States of the demonstration program. Upon de-
23 termination of which States will be partici-
24 pating in the demonstration program, the Sec-
25 retary shall continue to make efforts to notify

institutions of higher education and dependent students within such participating States of the opportunity to participate in the demonstration program and of the participation requirements.

“(H) CONSULTATION.—The Secretary shall consult with the Advisory Committee on Student Financial Assistance, established under section 491, on the design and implementation of the demonstration program and on the evaluation described in paragraph (F).”;

(2) by striking subsection (b) and inserting the following:

“(b) EARLY AWARENESS OF AID ELIGIBILITY.—

“(1) IN GENERAL.—The Secretary shall make every effort to provide students with early information about potential financial aid eligibility.

“(2) AVAILABILITY OF MEANS TO DETERMINE ELIGIBILITY.—

“(A) IN GENERAL.—The Secretary shall provide, in cooperation with States, institutions of higher education, agencies, and organizations involved in student financial assistance, both through a widely disseminated printed form and the Internet or other electronic means, a system for individuals to determine easily, by entering

relevant data, approximately the amount of grant, work-study, and loan assistance for which an individual would be eligible under this title upon completion and verification of a form under subsection (a).

“(B) DETERMINATION OF WHETHER TO USE SIMPLIFIED APPLICATION.—The system established under this paragraph shall also permit an individual to determine whether or not the individual may apply for aid using an EZ FAFSA described in subsection (a)(2)(B) or a simplified electronic application form described in subsection (a)(3)(B).

“(3) AVAILABILITY OF MEANS TO COMMUNICATE ELIGIBILITY.—

“(A) LOWER-INCOME STUDENTS.—The Secretary shall—

“(i) make special efforts to notify students who qualify for a free or reduced price lunch under the school lunch program established under the Richard B. Russell National School Lunch Act (42 U.S.C. 1751 et seq.), benefits under the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 et

seq.), or benefits under such programs as the Secretary shall determine, of such students' potential eligibility for a maximum Federal Pell Grant under subpart 1 of part A; and

“(ii) disseminate informational materials regarding the linkage between eligibility for means-tested Federal benefit programs and eligibility for a Federal Pell Grant, as determined necessary by the Secretary.

“(B) MIDDLE SCHOOL STUDENTS.—The Secretary shall, in cooperation with States, middle schools, programs under this title that serve middle school students, and other cooperating independent outreach programs, make special efforts to notify middle school students of the availability of financial assistance under this title and of the approximate amounts of grant, work-study, and loan assistance an individual would be eligible for under this title.

“(C) SECONDARY SCHOOL STUDENTS.—The Secretary shall, in cooperation with States, secondary schools, programs under this title that serve secondary school students, and co-

1 operating independent outreach programs,
 2 make special efforts to notify students in their
 3 junior year of secondary school the approximate
 4 amounts of grant, work-study, and loan assist-
 5 ance an individual would be eligible for under
 6 this title upon completion and verification of an
 7 application form under subsection (a).”;

8 (3) in subsection (c), by striking “Labor and
 9 Human Resources” and inserting “Health, Edu-
 10 cation, Labor, and Pensions”;

11 (4) by striking subsection (d);

12 (5) by redesignating subsection (e) as sub-
 13 section (d); and

14 (6) by amending subsection (d), as redesignated
 15 by paragraph (5), to read as follows:

16 “(d) ASSISTANCE IN PREPARATION OF FINANCIAL
 17 AID APPLICATION.—

18 “(1) PREPARATION AUTHORIZED.—Nothing in
 19 this Act shall limit an applicant from using a pre-
 20 parer for consultative or preparation services for the
 21 completion of the common financial reporting forms
 22 described in subsection (a).

23 “(2) PREPARER IDENTIFICATION.—Any com-
 24 mon financial reporting form required to be made
 25 under this title shall include the name, signature,

1 address or employer’s address, social security num-
2 ber or employer identification number, and organiza-
3 tional affiliation of the preparer of such common fi-
4 nancial reporting form.

5 “(3) SPECIAL RULE.—Nothing in this Act shall
6 limit preparers of common financial reporting forms
7 required to be made under this title from collecting
8 source information, including Internal Revenue Serv-
9 ice tax forms, in providing consultative and prepara-
10 tion services in completing the forms.

11 “(4) ADDITIONAL REQUIREMENTS.—A preparer
12 that provides consultative or preparation services
13 pursuant to this subsection shall—

14 “(A) clearly inform individuals upon initial
15 contact (including advertising in clear and con-
16 spicuous language on the website of the pre-
17 parer, including by providing a link directly to
18 the website described in subsection (a)(3), if the
19 preparer provides such services through a
20 website) that the common financial reporting
21 forms that are required to determine eligibility
22 for financial assistance under parts A through
23 E (other than subpart 4 of part A) may be
24 completed for free via paper or electronic forms
25 provided by the Secretary;

1 “(B) refrain from producing or dissemi-
 2 nating any form other than the forms produced
 3 by the Secretary under subsection (a); and

4 “(C) not charge any fee to any individual
 5 seeking such services who meets the require-
 6 ments under subsection (b) or (c) of section
 7 479.”.

8 (c) TOLL-FREE APPLICATION AND INFORMATION.—
 9 Section 479 of the Higher Education Act of 1965 (20
 10 U.S.C. 1087ss), as amended by section 2, is further
 11 amended by adding at the end the following:

12 “(e) TOLL-FREE APPLICATION AND INFORMA-
 13 TION.—The Secretary shall contract for, or establish, and
 14 publicize a toll-free telephone service to provide an applica-
 15 tion mechanism and timely and accurate information to
 16 the general public. The information provided shall include
 17 specific instructions on completing the application form
 18 for assistance under this title. Such service shall also in-
 19 clude a service accessible by telecommunications devices
 20 for the deaf (TDD’s) and shall, in addition to the services
 21 provided for in the previous sentence, refer such students
 22 to the national clearinghouse on postsecondary education
 23 or another appropriate provider of technical assistance
 24 and information on postsecondary educational services,
 25 that is supported under section 663 of the Individuals with

1 Disabilities Education Act. Not later than 2 years after
 2 the date of enactment of the Financial Aid Form Sim-
 3 plification and Access Act, the Secretary shall test and im-
 4 plement, to the extent practicable, a toll-free telephone-
 5 based application system to permit applicants who are eli-
 6 gible to utilize the EZ FAFSA described in section 483(a)
 7 over such system.”.

8 (d) MASTER CALENDAR.—Section 482(a)(1)(B) of
 9 the Higher Education Act of 1965 (20 U.S.C.
 10 1089(a)(1)(B)) is amended to read as follows:

11 “(B) by March 1: proposed modifications
 12 and updates pursuant to sections 478, 479(c),
 13 and 483(a)(5) published in the Federal Reg-
 14 ister;”.

15 (e) SIMPLIFYING THE VERIFICATION PROCESS.—
 16 Section 484 of the Higher Education Act of 1965 (20
 17 U.S.C. 1091) is amended by adding at the end the fol-
 18 lowing:

19 “(s) VERIFICATION OF STUDENT ELIGIBILITY.—

20 “(1) REGULATORY REVIEW.—The Secretary
 21 shall review all regulations of the Department re-
 22 lated to verifying the information provided on a stu-
 23 dent’s financial aid application in order to simplify
 24 the verification process for students and institutions.

1 “(2) REPORT.—Not later than 2 years after the
2 date of enactment of this subsection, the Secretary
3 shall prepare and submit a final report to the Com-
4 mittee on Health, Education, Labor, and Pensions
5 of the Senate and the Committee on Education and
6 the Workforce of the House of Representatives on
7 steps taken, to the extent practicable, to simplify the
8 verification process. The report shall specifically ad-
9 dress steps taken to—

10 “(A) reduce the burden of verification on
11 students who are selected for verification at
12 multiple institutions;

13 “(B) reduce the number of data elements
14 that are required to be verified for applicants
15 meeting the requirements of subsection (b) or
16 (c) of section 479, so that only those data ele-
17 ments required to determine eligibility under
18 subsection (b) or (c) of section 479 are subject
19 to verification;

20 “(C) reduce the burden and costs associ-
21 ated with verification for institutions that are
22 eligible to participate in Federal student aid
23 programs under this title; and

24 “(D) increase the use of technology in the
25 verification process.”.

1 **SEC. 4. ALLOWANCE FOR STATE AND OTHER TAXES.**

2 Section 478(g) of the Higher Education Act of 1965
3 (20 U.S.C. 1087rr(g)) is amended to read as follows:

4 “(g) STATE AND OTHER TAX ALLOWANCE.—

5 “(1) HOLD HARMLESS.—Notwithstanding any
6 other provision of law, the annual updates to the al-
7 lowance for State and other taxes in the tables used
8 in the Federal Need Analysis Methodology to deter-
9 mine a student’s expected family contribution for the
10 award year 2005–2006 under part F of title IV,
11 published in the Federal Register on Thursday, De-
12 cember 23, 2004 (69 Fed. Reg. 76926), shall not
13 apply to a student to the extent the updates will re-
14 duce the amount of Federal student assistance for
15 which the student is eligible.

16 “(2) PUBLICATION IN THE FEDERAL REG-
17 ISTER.—For each award year after award year
18 2005–2006, the Secretary shall publish in the Fed-
19 eral Register a revised table of State and other tax
20 allowances for the purpose of sections 475(c)(2),
21 475(g)(3), 476(b)(2), and 477(b)(2). The Secretary
22 shall develop such revised table after review of the
23 Department of the Treasury’s Statistics of Income
24 file and determination of the percentage of income
25 that each State’s taxes represent. The Secretary
26 shall phase-in the State and other tax allowances

1 from the revised table for an award year proportion-
 2 ately over a period of time of not less than 2 years
 3 if a revised table was not published in the Federal
 4 Register during the previous award year.

5 “(3) AGREEMENT.—The Secretary is author-
 6 ized to enter into agreement with the Commissioner
 7 of the Internal Revenue Service to develop the data
 8 required to revise the table of State and other tax
 9 allowances for the purpose of sections 475(c)(2),
 10 475(g)(3), 476(b)(2), and 477(b)(2).”.

11 **SEC. 5. SUPPORT FOR WORKING STUDENTS.**

12 (a) DEPENDENT STUDENTS.—Section 475(g)(2)(D)
 13 of the Higher Education Act of 1965 (20 U.S.C.
 14 1087oo(g)(2)(D)) is amended to read as follows:

15 “(D) \$9,000;”.

16 (b) INDEPENDENT STUDENTS WITHOUT DEPEND-
 17 ENTS OTHER THAN A SPOUSE.—Section 476(b)(1)(A)(iv)
 18 of the Higher Education Act of 1965 (20 U.S.C.
 19 1087pp(b)(1)(A)(iv)) is amended to read as follows:

20 “(iv) an income protection allowance
 21 of the following amount (or a successor
 22 amount prescribed by the Secretary under
 23 section 478)—

24 “(I) \$10,000 for single or sepa-
 25 rated students;

1 “(II) \$10,000 for married stu-
 2 dents where both are enrolled pursu-
 3 ant to subsection (a)(2); and

4 “(III) \$13,000 for married stu-
 5 dents where 1 is enrolled pursuant to
 6 subsection (a)(2);”.

7 (c) INDEPENDENT STUDENTS WITH DEPENDENTS
 8 OTHER THAN A SPOUSE.—Section 477(b)(4) of the High-
 9 er Education Act of 1965 (20 U.S.C. 1087qq(b)(4)) is
 10 amended to read as follows:

11 “(4) INCOME PROTECTION ALLOWANCE.—The
 12 income protection allowance is determined by the fol-
 13 lowing table (or a successor table prescribed by the
 14 Secretary under section 478):

“Income Protection Allowance					
Family Size	Number in College				
	1	2	3	4	5
2	\$17,580	\$15,230			
3	20,940	17,610	\$16,260		
4	24,950	22,600	20,270	\$17,930	
5	28,740	26,390	24,060	21,720	\$19,390
6	32,950	30,610	28,280	25,940	23,610

NOTE: For each additional family member, add \$3,280.
 For each additional college student, subtract \$2,330.”.

15 **SEC. 6. SIMPLIFICATION FOR STUDENTS WITH SPECIAL**
 16 **CIRCUMSTANCES.**

17 (a) INDEPENDENT STUDENT.—Section 480(d) of the
 18 Higher Education Act of 1965 (20 U.S.C. 1087vv(d)) is
 19 amended to read as follows:

20 “(d) INDEPENDENT STUDENT.—

1 “(1) DEFINITION.—The term ‘independent’,
2 when used with respect to a student, means any in-
3 dividual who—

4 “(A) is 24 years of age or older by Decem-
5 ber 31 of the award year;

6 “(B) is an orphan, in foster care, or a
7 ward of the court, or was in foster care or a
8 ward of the court until the individual reached
9 the age of 18;

10 “(C) is an emancipated minor or is in legal
11 guardianship as determined by a court of com-
12 petent jurisdiction in the individual’s State of
13 legal residence;

14 “(D) is a veteran of the Armed Forces of
15 the United States (as defined in subsection
16 (c)(1)) or is currently serving on active duty in
17 the Armed Forces;

18 “(E) is a graduate or professional student;

19 “(F) is a married individual;

20 “(G) has legal dependents other than a
21 spouse; or

22 “(H) is a student for whom a financial aid
23 administrator makes a documented determina-
24 tion of independence by reason of other unusual
25 circumstances.

1 “(2) SIMPLIFYING THE DEPENDENCY OVER-
 2 RIDE PROCESS.—Nothing in this section shall pro-
 3 hibit a financial aid administrator from making a
 4 determination of independence, as described in para-
 5 graph (1)(H), based upon a determination of inde-
 6 pendence previously made by another financial aid
 7 administrator in the same application year.”.

8 (b) TAILORING ELECTRONIC APPLICATIONS FOR
 9 STUDENTS WITH SPECIAL CIRCUMSTANCES.—Section
 10 483(a) of the Higher Education Act of 1965 (20 U.S.C.
 11 1090(a)), as amended by section 3, is further amended
 12 by adding at the end the following:

13 “(13) APPLICATIONS FOR STUDENTS SEEKING
 14 A DOCUMENTED DETERMINATION OF INDEPEND-
 15 ENCE.—In the case of a dependent student seeking
 16 a documented determination of independence by a fi-
 17 nancial aid administrator, as described in section
 18 480(d), nothing in this section shall prohibit the
 19 Secretary from—

20 “(A) allowing such student to—

21 “(i) indicate the student’s request for
 22 a documented determination of independ-
 23 ence on an electronic form developed pur-
 24 suant to this subsection; and

1 “(ii) submit such form for preliminary
 2 processing that only contains those data
 3 elements required of independent students,
 4 as defined in section 480(d);

5 “(B) collecting and processing on a pre-
 6 liminary basis data provided by such a student
 7 using the electronic forms developed pursuant
 8 to this subsection; and

9 “(C) distributing such data to institutions
 10 of higher education, guaranty agencies, and
 11 States for the purposes of processing loan appli-
 12 cations and determining need and eligibility for
 13 institutional and State financial aid awards on
 14 a preliminary basis, pending a documented de-
 15 termination of independence by a financial aid
 16 administrator.”.

17 **SEC. 7. TREATMENT OF PREPAYMENT AND SAVINGS PLANS**
 18 **UNDER STUDENT FINANCIAL AID NEEDS**
 19 **ANALYSIS.**

20 (a) DEFINITION OF ASSETS.—Section 480(f) of the
 21 Higher Education Act of 1965 (20 U.S.C. 1087vv(f)) is
 22 amended—

23 (1) in paragraph (1), by inserting “qualified
 24 education benefits, except as provided in subpara-
 25 graph (2),” after “tax shelters,”;

1 (2) by redesignating paragraph (2) as para-
2 graph (4); and

3 (3) by inserting after paragraph (1) the fol-
4 lowing:

5 “(2) A qualified education benefit shall not be
6 considered an asset of a dependent student for pur-
7 poses of section 475. The value of a qualified edu-
8 cation benefit for purposes of determining the assets
9 of parents or an independent student shall be—

10 “(A) the refund value of any tuition credits
11 or certificates purchased under a qualified edu-
12 cation benefit; or

13 “(B) the current balance of any account
14 that is established as a qualified education ben-
15 efit for the purpose of meeting the qualified
16 higher education expenses of the designated
17 beneficiary of the account.

18 “(3) In this subsection, the term ‘qualified edu-
19 cation benefit’ means—

20 “(A) a qualified tuition program (as de-
21 fined in section 529(b)(1) of the Internal Rev-
22 enue Code of 1986) or another prepaid tuition
23 plan offered by a State; or

1 “(B) a Coverdell education savings account
 2 (as defined in section 530(b)(1) of the Internal
 3 Revenue Code of 1986).”.

4 (b) DEFINITION OF OTHER FINANCIAL ASSIST-
 5 ANCE.—Section 480(j) of the Higher Education Act of
 6 1965 (20 U.S.C. 1087vv(j)) is amended—

7 (1) in the heading, by striking “; TUITION PRE-
 8 PAYMENT PLANS”;

9 (2) by striking paragraph (2);

10 (3) in paragraph (3), by inserting “, or a dis-
 11 tribution that is not includable in gross income
 12 under section 529 of such Code, under another pre-
 13 paid tuition plan offered by a State, or under a
 14 Coverdell education savings account under section
 15 530 of such Code” after “1986”; and

16 (4) by redesignating paragraph (3) as para-
 17 graph (2).

18 (c) TOTAL INCOME.—Section 480(a)(2) of the High-
 19 er Education Act of 1965 (20 U.S.C. 1087vv(a)(2)) is
 20 amended to read as follows:

21 “(2) No portion of any student financial assist-
 22 ance received from any program by an individual, no
 23 portion of a national service educational award or
 24 post-service benefit received by an individual under
 25 title I of the National and Community Service Act

1 of 1990 (42 U.S.C. 12571 et seq.), no portion of any
 2 tax credit taken under section 25A of the Internal
 3 Revenue Code of 1986, and no distribution from any
 4 qualified education benefit defined in subsection
 5 (f)(3) that is not subject to Federal income tax,
 6 shall be included as income or assets in the com-
 7 putation of expected family contribution for any pro-
 8 gram funded in whole or in part under this Act.”.

9 **SEC. 8. ADVISORY COMMITTEE ON STUDENT FINANCIAL AS-**
 10 **SISTANCE.**

11 Section 491 of the Higher Education Act of 1965 (20
 12 U.S.C. 1098) is further amended—

13 (1) in subsection (a)(2)—

14 (A) in subparagraph (B), by striking
 15 “and” after the semicolon;

16 (B) in subparagraph (C), by striking the
 17 period at the end and inserting a semicolon;
 18 and

19 (C) by adding at the end the following:

20 “(D) to provide knowledge and under-
 21 standing of early intervention programs and
 22 make recommendations that will result in early
 23 awareness by low- and moderate-income stu-
 24 dents and families of their eligibility for assist-
 25 ance under this title, and, to the extent prac-

1 ticable, their eligibility for other forms of State
 2 and institutional need-based student assistance;
 3 and

4 “(E) to make recommendations that will
 5 expand and improve partnerships among the
 6 Federal Government, States, institutions, and
 7 private entities to increase the awareness and
 8 total amount of need-based student assistance
 9 available to low- and moderate-income stu-
 10 dents.”;

11 (2) in subsection (d)—

12 (A) in paragraph (6), by striking “, but
 13 nothing in this section shall authorize the com-
 14 mittee to perform such studies, surveys, or
 15 analyses”;

16 (B) in paragraph (8), by striking “and”
 17 after the semicolon;

18 (C) by redesignating paragraph (9) as
 19 paragraph (10); and

20 (D) by inserting after paragraph (8) the
 21 following:

22 “(9) monitor the adequacy of total need-based
 23 aid available to low- and moderate-income students
 24 from all sources, assess the implications for access

1 and persistence, and report those implications annu-
2 ally to Congress and the Secretary; and”;

3 (3) in subsection (j)—

4 (A) in paragraph (4), by striking “and”
5 after the semicolon;

6 (B) in paragraph (5), by striking the pe-
7 riod at the end and inserting “; and”; and

8 (C) by adding at the end the following:

9 “(6) monitor and assess implementation of im-
10 provements called for under this title, make rec-
11 ommendations to the Secretary that ensure the time-
12 ly design, testing, and implementation of the im-
13 provements, and report annually to Congress and
14 the Secretary on progress made toward simplifying
15 overall delivery, reducing data elements and ques-
16 tions, incorporating the latest technology, aligning
17 Federal, State, and institutional eligibility, enhanc-
18 ing partnerships, and improving early awareness of
19 total student aid eligibility for low- and moderate-in-
20 come students and families.”; and

21 (4) in subsection (k), by striking “2004” and
22 inserting “2011”.

○